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Institutional Reforms in Sector Adjustment Operations

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Institutional reforms stand a greater chance of succeeding when there is adequate institutional diagnosis and design, including assessment of the interest groups affected and the ability of top leaders to mobilize support for reform. A good case can be made for bringing the key players together in a process approach to diagnosis, so that diagnosis becomes an early stage of consensus building among those who will be affected by the reforms.

Institutional reforms in sector adjustment operations (SECALs) are designed to deal with three types of issues: organizational restructuring and strengthening; regulatory and procedural reforms; and the building of sector policy and planning capability. Paul learned in his review of 55 of the 65 SECALs approved during fiscal 1983-87 that:

Of all the institutional reforms, organizational restructurings, including divestiture, were the most difficult to implement. In some cases, implementation was delayed by the coordination problems of the multiplicity of agencies involved, and in others, the impact of institutional reforms was limited by the lack of follow-up actions essential to their success.

The importance of careful diagnosis of the sectoral institutional framework cannot be overemphasized. The problem is less severe in such sectors as agriculture, where past project and sector work has led to a better understanding of sector institutions. Attention to institutional diagnosis and design is especially important in SECALs because of their quick disbursing nature and the limited time available for redesign. There is greater flexibility for redesign for a series of SECALs.

Most institutional diagnoses done for SECALs focus on technical capabilities. There is too little assessment of the interest groups affected and the ability of top leaders to mobi-

lize support for reform and to resist opposition. Joint diagnostic exercises are likely to yield a better mix of technical, organizational, and political analysis and provide a better basis for assessing the feasibility of implementation.

When the issues and causes of problems are unclear, a "process approach" to diagnosis is called for — and a good case can be made for bringing together key players with different perceptions of the problems or in other ways using the diagnostic process for early consensus building or at least an appreciation of the different perceptions involved. It is important to sensitize Bank staff to good designs and processes, and to draw on experts when Bank staff are not experienced in process issues.

Complex institutional reforms should be implemented a stage at a time, in a thoughtful sequence. If a simultaneous attack on different fronts is necessary, a strategic approach to implementation must be planned — getting the full support of top leaders who alone can influence or control the actors involved and do team-building, and following up with supervision and monitoring for early identification of problems.

SECALs have not given enough attention to building capabilities for policy analysis, a task that calls for staff-intensive supervision and a long-term perspective — which are seldom available in adjustment operations involving many reforms.

This paper is a product of the Public Sector Management and Private Sector Development Division, Country Economics Department. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Ernestina Madrona, room N9-061, extension 61712 (167 pages with tables).

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SUMMARY

1. The purpose of this paper is to provide an overview of the institutional reforms in the World Bank's sector adjustment operations (SECALs) and to assess the Bank's experience in implementing them. The review covers institutional reforms in 55 of the 65 SECALs approved by the Bank during fiscal 1983-87. They include SECALs in agriculture, trade, and industry, but exclude those pertaining to education and public enterprises.

2. Types of Institutional Reforms. The institutional reforms designed to deal with these issues in the SECALs were threefold:

(i) Organizational restructuring and strengthening measures.

Restructuring covered a wide spectrum of reforms which includes the divestiture of public agencies or functions and the reorganization of existing activities. Organizational strengthening consisted of the improvements achieved through leadership changes, induction of competent personnel, new systems and practices and training.

(ii) Regulatory and procedural reforms. The rationalization of the sector's regulations and procedures was a necessary reinforcement to the SECALs' policy reforms. In some instances changes in existing laws were required to facilitate the implementation of

new policies. In general, the focus here was on deregulation and procedural improvements and not on the reorganization of regulatory institutions.

iii) Sector policy and planning capacity building. The capacities sought to be developed through this type of reform were: (a) skills to develop sector strategies and to monitor sector performance; and (b) specialized skills for the analysis of investments, prices, trade, etc. In some cases, special units were proposed to be established in sector ministries or other agencies as focal points for policy analysis and personnel training.

3. Policy-Institutional Reforms Linkages. Every SECAL reviewed had institutional components which reflected a blend of these reforms.

- * Most institutional reforms were closely linked to or derived from the SECAL policy reforms. This was particularly true of regulatory and procedural reforms which flowed from the need to implement specific policy reforms.
- * The linkage between policy and institutional reforms was less direct when the latter were meant to facilitate or strengthen supply response in the sector concerned.

- * A third type of institutional reforms (e.g., policy analytic capacity building) was also indirectly linked to current SECAL policy reforms as their objective was to strengthen the sector over the long haul.

4. Key Features. Of all the institutional reform components, organizational restructuring and strengthening was the most frequent category, followed by policy analytic capacity building and regulatory and procedural reforms.

- * The scope of these institutional reforms varied somewhat between sectors and regions. Trade SECALs, which had a larger share of macroeconomic content in its policy reforms than other types of SECALs, had institutional reforms which affected different sectors. SECALs for agriculture and industry, by contrast, had fewer multi-sectoral institutional reforms. The institutional reforms in agriculture SECALs were designed to improve the sector ministry as well as field agencies but both were within the purview of the agriculture sector except in a few cases.
- * In some cases the sector institutions were fragmented and intra-sectoral coordination was difficult. However, in many SECALs, coordination between the sector ministries and the core financial and economic authorities was essential for their success.

- * In terms of regions, agriculture and industry SECALs in Africa had more limited scope than those in Asia, and Europe, Middle East and North Africa (EMENA). The Latin America and Caribbean (LAC) SECALs fell in between. Many of the African agriculture SECALs, for example, dealt with one subsector of agriculture at a time while the Asian and EMENA SECALs spanned the entire sector. This reflects a useful attempt on the part of the Bank staff to match the complexity and scope of reform to the institutional capacity of the countries concerned.
- * Technical assistance (TA) was provided for in most of the SECALs. Their nature and scope, however, were not examined in this review as the full evidence on TA was not readily available. This subject deserves careful study as TA is an important aid to the implementation of institutional reforms.

5. Problems of Implementation:

- * SECALs do not seem to have been an effective vehicle to implement complex institutional reforms especially in countries with limited institutional capacities.
- * Over a fifth of all SECALs encountered serious problems of implementation on the institutional front. A similar number reported good progress. Adequate evidence does not exist to

assess the impact or outcome of the SECAL institutional reforms. An initial review of their implementation experience, however, shows that while conditionalities were met in most cases, several problems were encountered in the course of supervision. It was found that the relatively simpler institutional reforms were implemented, while the more complex and politically sensitive reforms faced severe problems. Thus the strengthening of existing organizations or improving specific organizational functions were easier to accomplish than the reorganization or divestiture of public agencies which threatened important political, labor or bureaucratic interests.

- * In some cases, the persistent macroeconomic disorder and the weaknesses of macro-policy institutions adversely affected SECAL implementation.
- * Inadequate institutional diagnosis and consequent design weaknesses also seem to have contributed to implementation problems. Often organizational structure and staff competence in limited technical areas proved easy to improve, but changes in organizational processes and bureaucratic procedures were difficult to design and implement.

6. Institutional Diagnosis

- * The importance of a careful diagnosis of the sectoral

institutional framework cannot be overemphasized. A mapping of the relevant institutions concerned with sector policy, sector-wide management, sector-wide support services and field operations should be a starting point in all SECALs, even in those which do not plan to undertake major institutional reforms.

- * Institutional diagnosis needs to go beyond an assessment of the capacity of institutions in their substantive (technical) areas of work. A joint diagnostic exercise (by the borrower and the Bank) with a mix of technical, organizational and political analysis, and with due attention to organizational processes, is more likely to provide a useful basis for assessing "implementation feasibility."

- * Attention to institutional diagnosis and design assumes special importance in SECALs in view of their quick disbursing nature and the limited time available for redesign. Where a series of SECALs are planned, there is clearly greater flexibility for redesign.

7. Sequencing of Reforms. When complex institutional reforms are proposed, there is merit in sequencing them so as to improve the chances of implementation success. This will reduce the scope of the reforms, problems of coordination, and the intensity of threats from affected interest groups. For example, restructuring of organizations in several subsectors simultaneously could become unmanageable for the reasons given

above. However, in a difficult country context, if one subsector is taken at a time, implementation will tend to be easier and the learning could be used to better plan the restructuring of other subsectors. If, however, a simultaneous attack on multiple institutional fronts is considered necessary, a strategic approach to the reform implementation must be planned. This means getting the full support of the top leaders who alone can influence or control the relevant actors and planning for team building and "organizational development" to ensure effective implementation.

8. Capacity Building. Capacity building for policy analysis deserves more attention than has been given by SECALs. It is a task that calls for staff intensive supervision and a long-term perspective which are seldom provided through adjustment operations covering a wide array of reforms. While it is understandable that reforms with an immediate impact receive the highest priority in a crisis, the conventional approach to policy capacity building, even with repeater loans, needs to be challenged. In order to augment local policy analytic capacity, innovative interventions including, for example, new forms of technical assistance, need to be explored outside of the adjustment framework.

INSTITUTIONAL REFORMS IN SECTOR ADJUSTMENT OPERATIONS

I. Introduction

Sector adjustment loans (SECALs) account for nearly two thirds of the Bank's total adjustment lending. During the period fiscal 1979-87, the Bank approved 70 SECALs for a total of \$9.4 billion.¹ In fiscal 1987, SECALs' share of adjustment lending increased to 80 percent, and accounted for 19.5 percent of all Bank lending. This reflects in part the broadening and deepening of the adjustment process as countries shift their attention from the general macroeconomic to the more specific sectoral issues. It also reflects the growing use of this lending instrument in countries for which adjustment in a particular sector or sectors is the first priority. Depending on the country context, SECALs tend to include a wide range of actions from the reform of aspects of macroeconomic policy to the creation of suitable policy and institutional frameworks for sector investment and efficiency enhancement. There are thus overlaps between structural and sector adjustment operations which sometimes make it difficult to differentiate between the two.

1/ See Peter Nicholas, The World Bank's Lending for Adjustment: An Interim Report, World Bank Discussion Paper No. 34, (Washington, D. C., 1988), pp.9-14.

Institutional reforms are important in adjustment programs for two reasons. First, while some policy reforms get implemented through the market mechanism, others depend heavily on a variety of institutional interventions for their success. The effectiveness of policy reforms in the latter case is largely a function of the appropriateness of the structures, systems and practices of implementing institutions. The reference here is not only to individual public or private organizations, but also to the broader institutional infrastructure (e.g., the operating legal system) essential for policy implementation. Policy and institutional reforms are thus complementary. Second, the continuing review and reform of policies beyond the adjustment period require the creation and sustenance of indigenous institutional capacity in both the public and private sectors. The development of such capacity entails not only organizational reforms, but also an expansion of the stock of well trained personnel to lead and manage the relevant network of institutions. Needless to say, capacity building is a long-term process, but adjustment operations are a useful vehicle to initiate it. Recent Bank reports have drawn attention to the impediments to the pace of reform posed by institutional weaknesses.²

2/ See Ibid; Report on Adjustment Lending, CEC, 1988; Conditionality in World Bank Lending: Its Relation to Agricultural Pricing Policies, Report 7357, OED, 1988.

This paper reviews the institutional reforms in 55 of the 65 SECALs approved by the Bank during 1983-87. They include SECALs in agriculture (23), trade (20) and industry (12), but exclude those approved prior to fiscal 1983 and those pertaining to education and public enterprises.³ The purpose of the review is to analyze the nature and scope of the institutional reforms adopted by SECALs and to assess the experience with respect to their implementation. Section II examines the types of policy and institutional reforms found in SECALs and the linkages between the two. Section III focuses on the design features of institutional reforms and their sectoral and regional patterns. The implementation experience with the institutional components of SECALs is then assessed in Section IV. The conclusions and policy implications of the review are presented in Section V. The primary sources of data used in the study are Bank documents (President's reports, appraisal reports, supervision reports, project completion reports, and project files) and interviews with selected Bank staff.

Basic data on the 55 SECALs under review are given in Annex 1. Sub-saharan African countries received nearly half of all SECALs. Less than a third of the SECALs went to the Latin America and Caribbean (LAC) Region and about a fifth to Asian and European, Middle East and North African (EMENA) countries. There were wide variations in the loan/credit

3/ Only six SECALs were approved prior to 1983. SECALs for education are too few (3) to be assessed. See John Nellis' A Review of Public Enterprise Reform in Adjustment Lending, April 1988, for a review of public enterprise SECALs.

amounts and their planned duration. Thus the Brazil agriculture SECAL amounted to \$500 million whereas the Malawi and Burkina agriculture SECALs were for \$5 million and \$9.2 million respectively. The Argentina trade SECAL's duration was one year in contrast to Hungary industry SECAL's six years. As of mid-1988, 23 of the 55 SECAL operations have been closed, but project completion reports are available only for eight.

SECALs are not necessarily preceded by structural adjustment operations (SALs) in all cases (see Annex 2). In fact, over a third of the SECALs were the first policy based operations in the countries concerned. SALs preceded SECALs in about a quarter of the cases. SALs, however, followed SECALs in a fifth of the cases. SECALs were repeated (series of two or three in the same sector) in ten countries out of the 34 with SECAL operations.

II. Policy and Institutional Reforms: Major Features

The primary focus of all SECALs is on the reform of policies which affect sector performance. Improved sector policies are expected to promote the overall adjustment process of the economy. The policy reforms most commonly found in the 55 SECALs could be divided into four categories:

- (a) Trade policy reforms, which focused on export promotion policies and services, import liberalization and tariff reforms, and the maintenance of a flexible exchange rate;

- (b) financial reforms which emphasized the decontrol of interest rates, reform of financial systems, expenditure control, and cost recovery;
- (c) rationalization of public and private sector roles through the reform of policies concerning public enterprises and private sector promotion; and
- (d) production and investment related reforms which included elements such as the decontrol of prices, investment delicensing and provision of incentives, tax/subsidy reform, and sector support services.

In terms of the frequency of occurrence in SECALs, trade policy reforms and production and investment related reforms were the most frequent, accounting for 34% and 33% of policy reforms respectively (Table 1). Financial reforms (17% of policy reforms) and public-private sector rationalization (16% of policy reforms) followed in that order. The relative importance of these categories was significantly different only in the agriculture SECALs. Production and investment related reforms were the dominant category (45% of policy reforms) in agriculture, followed by trade reforms (19%) and public-private sector rationalization (19%). This pattern reflects, for the most part, the differences in SECAL objectives between different sectors. Thus agriculture SECALs focused on the adjustment of production and investment incentives and enhancement of the efficiency and effectiveness of input procurement, credit, marketing,

research and other technical services. Trade SECALs, on the other hand, emphasized the elimination of trade distortions and the improvement of balance of payments especially through export promotion. Industry SECALs also had trade related objectives in addition to the promotion of domestic competition.

Table 1

POLICY REFORMS: PERCENTAGE OF SECTOR TOTALS IN EACH OF FOUR POLICY REFORM TYPES

Reform Sector	Trade Policy Reforms	Monetary & Financial Reforms	Rationalisation of Pub. & Priv. Sector Roles	Production & Investment-Related Reforms	TOTAL
	%	%	%	%	%
Industry	36.5	19.0	19.0	25.4	100.0
Agriculture	19.3	17.6	18.5	44.5	100.0
Trade	56.6	13.2	9.2	21.1	100.0
TOTAL	34.5	16.7	15.9	32.9	100.0

Institutional Issues

Three important categories of institutional issues were identified in the SECALs under review. First, a good number of SECALs considered the organizational and managerial deficiencies of sector institutions as a major constraint on the adjustment process. The rationale for the existence of some institutions, and their focus and functions were called into question by the proposed policy reforms. For instance, the proposed

liberalization measures in some cases made the functions of some of the existing regulatory agencies redundant. The policy decision to expand the private sector meant that some of the parastatals had to be phased out. Sector institutions (departments, bureaus, enterprises) which had poor leadership, inappropriate organizational structures and systems, and staff with limited skills and poor motivation needed to be reorganized and strengthened. In some cases, new agencies were to be created to deal with changing priorities.

Second, a variety of regulatory and procedural constraints had to be eliminated or streamlined in order to enable governments to implement policy reforms. Trade liberalization, for example, called for the simplification of import and export procedures and abolition of superfluous trade regulations. Reform of industrial policies and abolition of administrative controls necessitated the revision of laws, regulations and procedures, not only to guide investors and managers, but also to instill a sense of confidence and a perception of policy stability in potential entrepreneurs and in other participants in the sector's activities. Agriculture SECALs frequently provided for the liberalization of internal agricultural markets and improvements in the administration of price stabilization programs through market intervention rather than through regulation.

Third, policy analytic and planning functions within sector ministries and other public agencies needed to be strengthened and their role in the policy process needed to be enhanced. In some cases, reliable

staff were unable to make a contribution because the process bypassed them. In other cases, the staff in these institutions did not possess the skills and experience required to perform the new roles and functions expected of them. For example, generation and analysis of policy alternatives, review of policies in light of the feedback through continuous monitoring, and the development of sector strategies and their linkages with other sectors are tasks which require a very different set of skills than those required for bureaucratic activities such as import licensing or the administrative allocation of foreign exchange and agricultural inputs. In some instances, SECALs identified the absence of an organizational focal point within the sector ministries to plan and perform these new functions and the lack of skills on the part of sector staff to initiate and manage these functions. Reorientation of the bureaucracy and the development of policy related skills in sector ministries were seen as prerequisites for building this capacity.

Institutional Reforms

The institutional reforms designed to deal with these issues in the SECALs were threefold: organizational restructuring and strengthening measures, regulatory and procedural reforms, and interventions for building policy and planning capacity. In several SECALs, these reforms entailed areas and institutions beyond the specific sector involved. The relative frequency of the three categories varied from one SECAL to another. Table 2 provides a comparative picture of the types of institutional reforms included under the trade, industry and agriculture SECALs and the frequency of each type within each sector, as indicated by the percentages.

Organizational restructuring and strengthening led the set of institutional reforms. This category accounted for 44% of all institutional reforms. Reforms for building policy and planning capacity and regulatory and procedural reforms were much less frequent (28% and 27% respectively). Within the organizational restructuring and strengthening category, "strengthening" measures were the most frequent overall and "divestiture" the least common.⁴ Table 3 provides details of institutional reforms by subcategory and sector. Additional data on institutional reform components, disaggregated by SECAL, are given in Annex 3.

Table 2
FREQUENCY OF INSTITUTIONAL REFORMS

	Policy Planning Capacity Building		Organizational Restructuring and Strengthening		Regulatory and Procedural Reform		TOTAL
	Number	%	Number	%	Number	%	Number
Industry	13	25	21	40	19	36	53
Agriculture	38	32	52	44	29	24	119
Trade	13	24	27	50	14	26	54
TOTAL	64	28	100	44	62	27	226

^{4/} Divestiture figured in several public enterprise SECALs, but overall the latter were a small number relative to the SECALs reviewed here.

Table 3

INSTITUTIONAL REFORMS: Detailed Components

	Policy Planning			Organisational Restructuring & Strengthening				Regulatory and Procedural Reforms				TOTAL
	Sector/ Subsector Strategy	Budgeting & Pub. Invest. Programming	Other Tech. Skills	Divestiture/ Withdrawal	Reorga- nisation	Streng- thening	Creation of a new Entity	Dereg.of markets	Export Procedures	Import Procedures	Tariff/Price Subsidy Procedures	
Industry	4	5	4	4	7	7	3	4	5	6	4	53
Agriculture	8	13	17	11	13	17	11	14	3	6	6	119
Trade	9	-	4	3	9	7	8	1	8	5	-	54
TOTAL	21	18	25	18	29	31	22	19	16	17	10	226
	X	X	X	X	X	X	X	X	X	X	X	X
Industry	7.5	9.4	7.5	7.5	13.2	13.2	5.7	7.5	9.4	11.3	7.5	100
Agriculture	6.7	10.9	14.3	9.2	10.9	14.3	9.2	11.8	2.5	5.0	5.0	100
Trade	16.7	-	7.4	5.6	16.7	13.0	14.8	1.9	14.8	9.3	-	100
TOTAL	9.3	8.0	11.1	8.0	12.8	13.7	9.7	8.4	7.1	7.5	4.4	100

1. Organizational Restructuring and Strengthening

Within a sector, restructuring and strengthening could be planned for a set of institutions such as ministries, their subordinate agencies and enterprises. It is useful to distinguish among three types of reform in this category. First, a policy and institutional diagnosis could lead to the conclusion that government must divest some of its activities in the concerned sector. Divestiture or elimination of certain sectoral organizations may then follow. This, of course, is the most politically sensitive form of restructuring. Second, adjustment may call for the reorganization of some or all of the sector agencies and the creation of new agencies. Some agencies may be merged with others or their functions and responsibilities altered significantly. The power relationships and influence patterns within the institutional network may then undergo major changes. This type of restructuring may take place with or without divestiture. Third, sector agencies may need to be improved or strengthened without their having to be reorganized in terms of their structures. Such organizational improvements may be brought about through leadership changes, the introduction of more efficient internal management systems and practices, changes in the incentives for the staff, recruitment of more competent personnel, and training to upgrade the technical and managerial skills of the staff.

In the Bangladesh industrial sector credit, Morocco industry SECAL II, and the Zaire industry SECAL, improvement of the efficiency of sectoral public enterprises was high on the reform agenda. Increased autonomy to

the enterprises and experiments with a new performance evaluation system were among the measures taken up under these SECALs. Reorganization of the public enterprises was proposed in the Morocco II and the Madagascar industry SECALs. In the Hungary, Korea and Morocco cases where financial sector reforms were to be implemented, the local banks' capacity for general management and project appraisal was to be strengthened through training. Organizational strengthening encompassed both sectoral and non-sectoral institutions as in the case of the Ghana industry SECAL which sought to support the Central Bureau of Statistics, the Ghana Standards Board and the Food Research Institute. Divestiture of public enterprises figured only in three industry SECALs--Madagascar II, Morocco II and Zambia.⁵ Divestiture of public sector activities such as input distribution, veterinary services, and agro-processing was proposed for action and/or study in 11 agriculture SECALs.

2. Regulatory and Procedural Reforms

Changes in the legal framework at the sector level became necessary both to ensure consistency with the proposed policy reforms and to enable governments to make known to the public at large, and to investors/entrepreneurs in particular, the new incentives, autonomy and legal safeguards available to them. In the industry sector, SECALs provided for the revision of investment codes or the creation of new codes.

5/ Note that separate public enterprise SECALs dealt with this issue in several other countries.

Decrees were promulgated to establish new agencies to implement investment codes. In some cases, the charters of financial institutions and parastatals were to be amended to enable them to undertake activities consistent with the new policies. Under the Tunisia industrial and trade SECAL, a new investment code was designed and approved. This SECAL also provided for a decree to entrust the implementation of the new code to a committee independent of the existing industrial promotion agency which was considered ineffective. The Morocco industrial and trade SECAL II, provided for a special law to enable specialized banks to accept deposits from the public. The Morocco agriculture SECAL II sought legal and technical proposals to reform the forestry sector in order to improve natural resource management. The Zambia industrial SECAL required the legislation of a new investment act to remove the barriers to the role of the private sector. In Argentina, an act of Congress was necessary to institute a land tax which was supposed to partially replace export taxes. However, this step was not taken by the government.

In a number of countries, there was no need to revise existing laws or enact new ones to promote sector adjustment. The constraints were perceived to be in the regulations and procedures in effect, and in the manner in which they were implemented. These reforms were expected to reduce the delays in complying with regulatory requirements and to simplify the procedures used so that the public could be served more effectively and efficiently. Improvements in the administrative procedures, the preparation of manuals to provide guidance to those engaged in imports and exports, and the dissemination of such information to the public were some of the actions proposed under this category.

Among agriculture SECALs, the Philippine agriculture SECAL sought a study of the regulations governing fertilizer production, import and distribution. The Morocco Agriculture SECAL II required the deregulation of cereal marketing. The Uruguay agricultural sector loan provided for the simplification of import procedures for agricultural inputs. Revision of procurement procedures and practices and the adoption of safety standards for pesticides were among the conditions of the Sudan agriculture SECAL II.

Among industry SECALs, the Zambia and Madagascar SECALs sought the simplification of export procedures. The Mauritius industry SECAL required that tariffs and the duty drawback system be simplified. The Morocco industry and trade SECAL I provided for the simplification of export certification requirements, the publication of a customs manual, and an information campaign to advise entrepreneurs about the government's medium-term objectives for tariff and non-tariff protection.

3. Policy and Planning Capacity Enhancement

Three types of improvements in policy and planning systems and skills were emphasized in the SECALs under review. First, the capacity to analyze policies, plan sector strategies and monitor and evaluate performance were to be strengthened. Second, special attention was given to the improvement of public investment programming systems. Third, upgrading local skills in foreign trade analysis, and other specialized areas were considered relevant in some cases; e.g., forecasting prices, exports, imports, and foreign exchange reserves. In a number of cases,

special units were proposed to be set up in sector ministries or related agencies to undertake the required policy analysis and planning and to be focal points for the training, development and supervision of professional staff.

Under the Sudan agriculture SECAL II, a special unit was created in the Agriculture Ministry to forecast and monitor the recurrent foreign exchange needs of the agriculture sector. In the Morocco agriculture SECAL I, the Directorate of Planning and Economic Affairs in the Ministry of Agriculture was to be strengthened to monitor overall sector and subsector budgetary allocations as well as allocations for priority projects. The Burkina Fertilizer SECAL not only assigned the project management task to the Agricultural Imports Unit in the Ministry of Agriculture, but also provided support to the Unit to improve its long-term capacity to undertake policy analysis. The Ghana industry SECAL's program included support to the Ministry of Industries, Science and Technology for data collection, policy formulation and monitoring, to the Bank of Ghana in respect of project appraisal and supervision techniques, and to the Ministry of Finance and Economic Planning for the formulation and monitoring of trade and tariff policies. In the Hungary industry SECAL, a restructuring program office was created to assist in upgrading investment programming and planning capacity. In the Korea industry and finance SECAL II, the focus was on specialist staff training. Sixty Ministry of Finance officials were sent abroad for training in policy analytic and planning-related subjects.

Linkages between Policy and Institutional Reforms

Institutional reforms fall into three categories in terms of their links with policy reforms. (a) those directly linked to the policy reforms in a given SECAL; (b) those required to facilitate the sector's supply response; and (c) broader reforms designed to support sector development beyond the adjustment process. Examples of the three types of linkages are given below:

1) Institutional reforms are directly linked to policy reforms when the execution of the latter requires the simultaneous implementation of the former. This was particularly true for regulatory and procedural reforms which were derived from the need to implement specific policy reforms. Trade liberalization, for example, invariably calls for the revision, simplification or elimination of export and import regulations. The need here is immediate and the regulatory reforms have to be tailored to meet the requirements of the new policy. For example, one of the objectives of the Argentina agriculture SECAL was to remove trade distortions which were depressing exports. The policy reform corresponding to this was a reduction of export taxes, and a commitment on the part of the government to introduce a land tax to replace the export taxes. The required institutional reform followed logically from this policy reform. In this case, it became necessary to establish the institutional basis for administering a land tax and to present draft legislation authorizing a federal land tax to the Argentine Congress.

2) In certain contexts sector policy reforms will evoke the required supply response only when complementary institutional actions are taken. Thus, in agriculture, price reform does not always trigger the desired level and speed of supply response from farmers when the sector is plagued by inadequacies in infrastructure, support services and private sector capabilities in general. Price reform in such cases needs to be followed up with measures to eliminate these inadequacies by strengthening or restructuring the relevant institutions (e.g., extension, credit, research, etc). In trade SECALs, policy reforms such as liberalization and devaluation are followed up with institutional measures to strengthen export promotion and financing. Three of the 20 trade SECALs were concerned primarily with strengthening export promotion and financing agencies (institutional reforms). The focus of the Sierra Leone agriculture SECAL, for example, was on the reorganization and strengthening of agriculture sector institutions.

3) There are broader institutional reforms which do not have a close or direct linkage to current SECAL policy reforms. Here the objective is to promote long-term sector development and the actions taken may or may not benefit or buttress the current set of policy reforms under implementation. Many of the SECAL institutional components classified under the capacity enhancement category, for example, were aimed more at improving policymaking and sector management in general than at implementing specific policies. In this sense, they did not follow from current policy reforms. For example, the assistance to the statistics department in the Ministry of Plan in Somalia appears to be aimed at

improving the statistical base for sector policymaking. Of course, many of the improvements would also help the government in the short run, as information gathered during regular operations would be fed back to central agencies and used to adjust and revise policies. In the Colombia trade SECAL, policy reforms focused on freeing up the license regime, reduction of tariff levels, and lowering import barriers for raw material supply to industries supplying inputs to agriculture and the like. As for institutional reforms, the strengthening of technical analysis capacity in the Ministry of Agriculture and the creation of the National Agricultural Policy Board were considered important. Although the goal was in part to assist in the operation of this particular SECAL, the skills and organization being developed were really aimed at future programs, and were not directly linked to the SECAL policy reforms.

The Scope of Institutional Reforms

The scope of institutional reforms varied somewhat between sectors and regions. Scope here refers to the spectrum of organizations and sectors touched by the reforms. Trade SECALs, which had a larger share of macroeconomic content in their policy reforms than other types of SECALs, had institutional reforms which affected multiple sectors. SECALs for agriculture and industry, by contrast, had fewer multi-sectoral institutional reforms. The institutional reforms in agriculture SECALs were designed to improve the sector ministry as well as field agencies; but both were within the purview of the agriculture sector, except in a few cases. Some regional trends were noted: agriculture and industry SECALs

in Africa had more limited scope than those in Asia and EMENA. The IAC SECALs fell in between. Many of the African agriculture SECALs, for example, dealt with one subsector of agriculture at a time, while the Asian and EMENA SECALs spanned the entire sector. In general, this pattern matched the institutional capacities and levels of development in the countries involved.

III. Institutional Reforms: Diagnosis and Design

Ideally, the design of institutional reform should flow from a systematic analysis of the relevant institutional issues within the framework of the SECAL objectives and policy reforms. Institutional diagnosis is relatively easy when policy reforms are limited in scope or when there is a close linkage between policy and institutional reforms. Thus in some cases, all the import liberalization and export promotion reforms may need to be reinforced by a set of regulatory and procedural reforms. This will typically call for a review of existing trade regulations and procedures. The latter are easily identified and their reform (elimination, simplification, etc.) may not be difficult to design. On the other hand, if trade liberalization has a wider scope and calls for the elimination or restructuring of existing public agencies, the institutional diagnosis involved becomes more complex and the design of the required institutional reforms will tend to attract a greater degree of

political and bureaucratic resistance. A simplistic analysis which fails to take into account these sensitive differences will adversely affect both the design and implementation of the reforms.

The task of institutional diagnosis was, in many cases, facilitated by the Bank staff's long-standing familiarity with and knowledge of a sector. In most agriculture SECALs, this was an advantage as there was a history of project lending and sector work in the countries involved. This was less true of trade SECALs as sector work on trade was relatively new. Industry SECALs fell somewhere in between.

An example of a good institutional diagnosis is found in the Morocco agriculture SECAL I. The initial diagnosis was based on previous studies and the Bank's experience with country project lending. Subsector specific and policy reform specific institutional issues were then identified during the preparation phase. These issues included a variety of organizational deficiencies such as lack of managerial and financial autonomy, lack of staff capacity, skills and incentives both for policy planning and service delivery, and their institutional implications for specific policy reforms. The diagnostic work was accomplished through the use of local working groups and a strong policy dialogue by Bank staff with Moroccan counterparts at middle and top levels and through a didactic use of analytical work in support of design. The diagnosis led to a segmentation of institutional reforms into component parts and to the phasing of their implementation. For example, the reorganization and strengthening of the extension system was to be attempted in phases. The

first SECAL operation initiated a low cost pilot program to strengthen the content and staffing of the extension service in 28 rainfed areas through the introduction of the training and visit model. The coverage was then to be expanded in the second operation.

In the Jamaica trade SECAL, on the other hand, an export development fund was created, and assigned to the Export Credit Insurance Corporation for management. The institutional context of export promotion, however, was not well understood in this case and the corporation was not properly oriented or equipped to handle the fund. As a result, the assessment of the corporation's capacity was inadequate during the preparation phase. In contrast, the Tunisia industry SECAL had a systematic discussion of the institutional issues relevant to its policy reforms and an extensive analysis of the regulatory and support institutions within the sector.

The scope and depth of the institutional diagnosis required for a SECAL will depend to a large extent on the complexity of its objectives and the range of its policy and institutional issues. The salient features of institutional diagnosis and design in the SECALs here reviewed were the following:

(1) The complexity of the institutional reforms undertaken by different SECALs varied considerably. To understand the nature and causes of this phenomenon, the SECALs were divided into two groups according to

their "institutional intensity."⁶ A majority of the low intensity SECALs were the first policy-based sector loans in the countries concerned whereas a majority of the high intensity SECALs were either repeat loans/credits or were preceded by other SECALs or SALs. The rationale of the more complex institutional reforms undertaken by the high intensity SECALs is that some learning had already taken place and that a foundation had been laid for more complex interventions. In several cases, the staff involved seem to have concluded that careful preparatory work should precede the launching of complex reforms. It was also found that the diagnosis of institutional issues in the high intensity SECALs was generally more thorough and systematic than the diagnosis underlying the low intensity SECALs. From a design standpoint, this would appear to be logical.

(2) In general, institutional diagnosis focused on the technical aspects of service delivery and of institutions. For example, the technical skills required by the staff and the analytical functions to be performed by certain institutions were assessed. The impact of interest groups on the working of the institutions, the likely resistance to reforms

6/ A SECAL was considered high in institutional intensity if its institutional reforms were dominated by organizational restructuring and policy capacity building, and low if the institutional reforms were limited relative to policy reforms or were dominated by regulatory and procedural reforms and/or organizational strengthening. Low intensity may or may not be appropriate depending on SECAL objectives and country contexts.

from the political or bureaucratic fronts and an assessment of the risks involved in the proposed reforms seem to have been neglected. The following comment on trade SECALs illustrates this point.

"In trade, for example, conditions on reductions in tariffs and QRs have been more fully met than those on improvements in export financing. The reason is not that the former are more politically palatable than the latter--the reverse is almost certainly the case. Instead, the reason is that export finance often involves institutional changes which are more difficult and take more time to implement."⁷

(3) Similarly, the capacity of the organizations and their top management to steer the reforms and get results was seldom assessed. Effectiveness depends, not only on the formal organization and its structure, but also on the clout of top managers to mobilize and use resources to their advantage and their capacity to communicate and garner support for SECAL objectives from the relevant stakeholders. The managerial and leadership dimension does not seem to have received much attention in the diagnosis. It is possible that such issues were discussed informally by Bank staff but not recorded in files.

(4) A thorough institutional diagnosis does not necessarily guarantee a competent design of institutional reform. There were cases where knowledge of what was wrong was adequate, but enough attention was not given to designing a reform to rectify the problem. Under the Uruguay agriculture SECAL, a national extension service, which catered to the livestock sector, was to expand its operations to include the crop

7/ See Report on Adjustment Lending, August 1988, p. 89.

subsector. Additional funds were provided for the expansion under the program, but there was apparently no design for integrating the new services into the existing organization. It could be that time constraints and the lack of local knowledge made it difficult for some Bank staff to attend to the details of the design of institutional reforms.

(5) Joint institutional diagnosis and design (between the Bank and borrower) were features of a number of SECALs. They were particularly helpful in assessing potential resistance to reform and subtle organizational features and constraints which were not obvious to the outsider. The Morocco SECAL referred to above and the Somalia agriculture SECAL illustrate this approach. In Somalia, five task forces were established to study key issues in the agricultural sector. Each task force was chaired by a Somali official and was staffed by government officials and consultants. Their reports formed the basis of the SECAL. The Bank's project preparation facility (PPF) has been used to good advantage for this purpose in some agriculture SECALs.

Conditionality

As in policy reforms, conditionality applied to institutional reforms too. In all, the 55 SECALs had a total of 362 conditions on the institutional side. These conditions fell into three categories:

(1) those requiring a study; (2) those which require an action plan to be prepared; and (3) those linked to the execution and completion of a

specific reform. In addition, several SECALs had a general condition which called for "satisfactory progress" of the program as a whole (covering both policy and institutional reforms). Details of conditions by type and sector are given in Table 4.

Table 4
CONDITIONALITY IN SECALS
By Sector and Type of Condition

Sector	No. of Conditions by Type				No. of SECALs with General Condition for Satisfactory Progress in Overall Program
	Study	Action Plan	Executing a Reform Measure	TOTAL	
Agriculture	16	25	103	144	6
Industry	15	30	65	110	7
Trade	3	14	91	108	9
TOTAL	34	69	259	362	22

The preparation of studies or action plans was stipulated as conditions when (a) an institutional reform was expected to face difficulties due to the pressure of vested interests or governmental incapacity or (b) when the details of the reform needed to be further developed or future reforms were to be prepared. In the Philippine agriculture SECAL, studies were sought through the SECAL with respect to agencies such as the Coconut Authority and the Sugar Commission. They were to be studied before reform actions were to be identified. At the initial

stage, the powerful coterie that ran these agencies would not have permitted any further action. In the Madagascar industry SECAL II, the public enterprise rehabilitation component was divided into enterprise level diagnostic studies and the development of specific enterprise related action plans. Concrete measures for reform implementation were expected to flow from the data generated through these conditions.

Execution and completion of a reform measure were made a condition in cases where the institutional reform was (a) relatively easy to carry out because the country had progressed to the point of reform in its own policies or (b) was relatively simple. In the industry SECALs, this approach was used where legal reforms were involved. It was felt that in Zambia and Tunisia, the governments were ready to go ahead with legislation on a new investment code. The enactment of the new measure was tantamount to implementing a reform. Under the Morocco agriculture SECAL II, the considerable impetus given to reorganization and divestiture of sector services as a part of the earlier Morocco SECAL I helped the government to implement fairly complex restructuring measures.

A review of the conditionality associated with the 23 agriculture SECALs revealed that in most cases there were more conditions associated with institutional actions than with policy actions. Overall, there were about twice as many institutional conditions as policy conditions. This was true even though, to avoid double counting, both policy and institutional conditions that were subject to phasing were counted only as single conditions. For example, under the Nigeria SECAL, fertilizer subsidies were to be reduced gradually, by certain percentages, over

several years, subject to an annual review; this was counted as a single policy reform condition. Under the Morocco SECAL, animal health services were to be privatized in 20 zones as a condition of negotiations, and in an additional 20 zones as a condition of the third tranche; this was counted as one institutional condition. This does not imply that a comparison of the number of conditions provides a true measure of their importance or weight. The existence, however, of more conditions dealing with institutional actions than policy actions is probably logical in some situations: institutional reforms when phased properly are more specific in nature than policy decisions, and it is likely that the implementation of a single policy reform will often require more than one institutional reform measure.

Industry SECALs also followed a similar pattern. In the Tunisia industry SECAL, development banks were to expand their role in investment financing. The government had already made some moves to provide for risk coverage for external borrowings. However, much more needed to be done, especially with respect to the exchange equalization fund set up by the government. A detailed study was to be carried out as a condition in the SECAL to better understand the specific issue of exchange rate risk guarantee with respect to government action, bank and final borrower strategies. In the Zambia industry SECAL, the simplification of duty drawback procedures was a condition - a case of implementing a reform measure.

It is understandable that many of these operations incorporated vague conditions calling for "satisfactory progress" in implementing the program as a whole, or "adequate progress" in restructuring a particular activity or institution. It is possible, however, that this condition gave additional leverage to the Bank in dealing with some borrower governments. The Philippine agriculture SECAL incorporated seven conditions regarding the implementation of institutional components, but the language of the second tranche conditions was rather weak in comparison with that of other operations. These conditions called for "adequate progress" in turning over responsibility to private entities..., in phasing out price controls, and in reforming the sugar commission and the coconut authority. Meaningful progress on some of these conditions proved elusive. Detailed design of institutional components in a manner that permits the identification of specific actions to be taken according to a realistic schedule requires Bank staff resources and a collaborative relationship with the borrower that are not always readily available during project preparation. Some attempts along these lines were made in the Colombia and Nigeria trade SECALs and in the Madagascar industry SECAL. The most noteworthy exception to this tendency was the two Morocco agriculture SECALs, for which conditionality was very explicit. When all of the phases or steps of each component are counted, there are a total of 25 conditions on institutional components in the Morocco SECALs. It is difficult to say whether the number of conditions was reasonable without making an in-depth study of the context.

Technical Assistance

Technical assistance (TA) was provided as an integral part of SECALs in 47 out of the 55 cases. In several countries, SECALs were able to piggyback on the technical assistance provided by other donors or other Bank projects. In some cases, the Bank and other donors collaborated in the design or redesign of technical assistance to ensure that it was consistent with the needs of the programs. Institutional strengthening was an important objective of TA in all SECALs. TA was not provided in some cases where the government was considered capable of performing the required functions. The TA components in SECALs therefore do not tell the whole story. Nevertheless, the volume of TA in SECALs is a partial measure of the support a sector received for studies, training and other forms of planning and implementation assistance. Sectors and regions have varied in their share of TA in SECALs. Agriculture SECALs devoted 2.1 percent of the loans to TA, whereas industry and trade had TA shares of 1.2 and 1.0 percent respectively. The Asian and EMENA trade SECALs did not include TA components, but achieved TA through related investment or TA projects.

Given the diverse sources of TA, and the incomplete evidence on the subject in SECAL documents, it has not been possible to evaluate the nature, scope and impact of TA in SECALs. This clearly is an important theme that warrants a separate study in its own right.

IV. Implementation and Impact

Adequate evidence to assess the progress and impact of the 55 SECALs over the project cycle is not yet available. Although 23 SECALs have been completed, only eight project completion reports (PCRs) have been released. These PCRs, however, provide only partial evidence of the impact of SECAL institutional reforms. The following assessment on the progress and problems in implementation is based on PCRs, supervision reports, project files, and interviews with selected Bank staff.

PCRs were available for four of the agriculture SECALs: (Brazil, Morocco I, Sudan I, and Sudan II); and for four trade SECALs: (Brazil, Costa Rica, Indonesia, and Jamaica). As expected, a review of these PCRs revealed some well-known problems as regards institutional aspects.

(1) Institutional issues were frequently a barrier to the successful implementation of secals. In several cases, it appeared that diagnosis and design did not take these factors into account adequately, and that while the proposed reforms might have been technically quite simple in and of themselves, this neglect made them more difficult to implement. (2) Entrenched political forces and hostile bureaucratic forces within the institutions posed a serious problem in some cases. Under the Brazil trade SECAL, an import drawback system was to be established within the export credit agency of the central bank (CACEX) to benefit exporters who required imported inputs. The project encountered serious problems, in part due to the country's economic difficulties, but also because of

political resistance and a lack of commitment to the spirit of the reform on the part of CACEX managers. Despite project guidelines that clearly specified eligibility criteria, CACEX continued to exercise discretionary power on what exporters could import under the drawback system, and the system never achieved the planned automaticity. (3) Lack of capacity to implement the project was another common problem. Under the Jamaica trade SECAL, an export development fund was to be administered by the Jamaican Export and Credit Insurance Corporation (JECIC). JECIC, as an organization, did not have the necessary skills, and could not recruit qualified staff, given its weak incentive structure.

Other problems highlighted in PCRs are also found in supervision reports and are discussed below. A review of the implementation problems of institutional reforms encountered during supervision reveals a mixed picture. In a few SECALs the progress was substantial and implementation problems minimal. In most cases, conditions for the release of tranches have been met. Table 5 provides a subjective assessment (based on supervision reports) of the progress of SECALs under implementation. Data on high and low intensity SECALs are given separately.⁸ In general, more low intensity SECALs made good progress (30%) than the high intensity SECALs (14%). Over a fifth of all SECALs encountered serious problems of implementation. Some were severely delayed, and in some cases, reforms which had been implemented were not sustained. But the majority of both types of SECALs experienced a variety of problems in the course of implementation. The most important and common problems are summarized below:

8/ See footnote 6 on p. 22 for a definition of high and low intensity SECALs.

Table 5

IMPLEMENTATION OF INSTITUTIONAL COMPONENTS

	Good Progress	Mixed Progress ^{1/}	Limited Progress/ Rescission
<u>High Intensity Secals</u>			
<u>Agriculture</u>			
CAR 1836	X		
Kenya 1717	X		
Madagascar 1691		X	
Nigeria 2345		X	
Sierra Leone 1501			X
Somalia 1711		X	
Uganda 1328		X	
Zambia 1545		X	
Philippines 2469			X
Morocco I 2590	X		
Morocco II 2885 ^{2/}			
Tunisia 2754	X		
Turkey 2585			X
Brazil 2348		X	
Brazil 2727	X		
Uruguay 2468		X	

^{1/} Good progress on some but not all components.

^{2/} Project not effective as of 6/88.

Table 5 (cont'd)

IMPLEMENTATION OF INSTITUTIONAL COMPONENTS

	Good Progress	Mixed Progress	Limited Progress*
<u>High Intensity Secals (cont'd.)</u>			
<u>Trade</u>			
Ghana 1435		X	
Ghana 1573		X	
Nigeria 2758		X	
Zambia 2391		X	
Pakistan 2701		X	
Bolivia 1703			X
Bolivia 1828		X	
Colombia 2677			X
Costa Rica 2274		X	
Jamaica 2320			X
Mexico 2331		X	
<u>Industry</u>			
Bangladesh 1816		X	
Ghana 1672		X	
Hungary 2700		X	
Madagascar 1834		X	
Morocco 2604			X
Tunisia 2781		X	
Zambia 1630			X

* Also includes loans/credits rescinded.

Table 5 (cont'd.)

IMPLEMENTATION OF INSTITUTIONAL COMPONENTS

	Good Progress	Mixed Progress	Limited Progress
<u>Low Intensity Secals</u>			
<u>Agriculture</u>			
Burkina 1550	X		
Malawi 1352	X		
Sudan I 1000		X	
Sudan II 1389		X	
Sudan III 1866	X		
Argentina 2675		X	
Ecuador 2626			X
<u>Trade</u>			
Ghana 1393	X		
Guinea Bissau 1531			
Zimbabwe 2239	X		
Indonesia 2780	X		
Argentina 2815		X	
Brazil 2347			X
Colombia 2551			X
Jamaica 2848			X
Mexico 2745		X	
<u>Industry</u>			
Korea 2571		X	
Madagascar 1541			X
Mauritius 2791			X
Morocco 2377		X	
Zaire 1708			X

1. Conditionality vs. Follow-up Actions

Supervision reports show that in many cases the problem was not with meeting the conditions of the SECAL,⁹ but with the follow-up actions essential to the success of the institutional reforms. For example, an action plan for the rehabilitation of public enterprises was prepared in Zambia, thus meeting a condition of the SECAL. But the holding company responsible for the program could not actively follow up and make it effective. An Economic Evaluation Unit was set up by the Government of Zambia as a condition of the credit, but the unit did not function well as it did not enjoy a key role in the planning organization. In Hungary, a restructuring program office was set up as required by the SECAL, but supervision reports confirmed that restructuring was not fully understood by the Ministry of Industry staff. The post-appraisal report for the Hungary industry SECAL II (Oct.-Nov.'86) noted the following: "Supply response of enterprises to the program has been uneven and disappointing... enterprise behavior does not reflect pressures for the efficiency and financial discipline intended to be achieved through specific measures of the program." A soft budget constraint and lack of competition no doubt contributed to this outcome.

2. Complexity of Reform

In general, SECALs are not an effective vehicle for implementing complex institutional reforms when the countries involved have weak

^{9/} Although tranche conditions were often met with delays.

institutional capacities. In several cases, the simpler institutional reforms were implemented while little progress was observed in the implementation of the more complex and politically sensitive reforms. As noted earlier, procedural reforms have been easier to implement than long-term capacity building measures, and, as expected, organizational strengthening enjoyed greater progress than organizational restructuring. Thus the strengthening of existing organizations or improving specific organizational functions were easier to accomplish than the reorganization or divestiture of public agencies which threatened important political, labor or bureaucratic interests. In trade SECALs, it was relatively easy to set up export information systems or to improve specific functions like accounting and procurement in export agencies. Organizational restructuring turned out to be more difficult, both because of the tendency to (1) overestimate the implementation capacity of sector institutions as in the early years of the Bolivia and Ghana trade SECALs under which sub-sector corporations were to be reorganized, and (2) underestimate the complexity of the reform itself as in many Sub-saharan African countries with weak institutional capacities.

A case in point is the restructuring of the state-owned Cocoa Board and the timber and mining corporations which ran into severe problems in the second year of the Ghana trade SECAL. The complexity of the reform was underestimated and led to unexpected delays.

"The restructuring exercise has been under way for two years, much longer than planned due to the attention given to reviewing all the files of COCOBOD's 75,000 plus staff. The program of laying off 400 senior staff on October 31, 1985 and some 16,000 junior

staff on November 30, 1985 was progressing on schedule. However, on October 30, the government stopped COCOBOD from putting the program into effect due to disagreements within the government on the timing of the payment to redundant staff." (Supervision Report, November 1985).

There was considerable progress with the Cocoa Board reforms subsequently in spite of the formidable initial difficulties which were both political and organizational in nature.

Similarly, under the Nigerian agriculture SECAL, the technical efficiency of fertilizer procurement by an agency of the Federal Ministry of Agriculture was improved, but the divestiture of fertilizer procurement and distribution by the ministry and its transfer to a commercial state enterprise located in the Federal Ministry of Industry, was not implemented as expected, and economic inefficiencies persisted. In this case, political resistance due to a potential loss of power and patronage as a result of the reorganization was a serious concern for the agricultural ministry.

3. Inadequate Institutional Diagnosis

Progress was hampered in some SECALs by a poor diagnosis of institutional issues and the consequent inadequacies of project design. For example, when the assessment of local capacity is neglected or is poorly done, wrong assumptions are likely to be made as to the reforms a government or other local agencies can accomplish. In the Uruguay agriculture SECAL, the assumption was made that the credit/extension agency was capable of providing improved extension to the crop subsector, though

its prior experience was only in the livestock sector. One objective of the project was to encourage diversification in agriculture by extending credit and extension services to the crop sector in addition to the more traditionally favored livestock sector. To attain this objective, conditionality required that the government increase the budget of the extension agency. The government met this condition, but the effort appears to have been compromised by the agency's lack of flexibility to reallocate funds among the extension service's functional categories.

The Costa Rica trade SECAL was reasonably successful in its policy thrust of promoting non-traditional exports to non-CACM countries. The SECAL paved the way for a SAL as originally anticipated. On the institutional side, the loan served to set up an export development unit, FOPEX, which administered the revolving fund. FOPEX performed reasonably well. There were, however, problems with respect to the TA component. Although the SECAL had reviewed the functioning of the various agencies involved in exports, it was felt that a more thorough diagnosis of these agencies might have led to better design of TA.

Along the same lines, in the Mexican trade SECAL, the Supervision Report of October 1984 (about a year and a half after the start of the project) observed that "the concrete results of the export development programs have so far been rather limited, mainly because of the Foreign Trade Institute's limited capability to promote them adequately within the government, the banking community and among potential investors/exports." The question of providing adequate institutional support for export

financing could also have been given greater attention during project preparation. Needless to say, diagnosis contributes jointly with other factors to implementation success. Morocco Agriculture SECAL I testifies to the importance of careful institutional diagnosis and to the value of the exercise as a collaborative effort between the Bank and the borrower government.

4. Impact of Macroeconomic Disorder

In some cases, the persistent macroeconomic disorder and the weaknesses of macro-policy institutions adversely affected SECAL implementation, a problem also noted by some PCRs. This was particularly true of agriculture SECALs which were among the first policy-based operations in some countries. SECALs were frequently introduced as a first step in the reform process, particularly when the government was not ready to undertake more comprehensive macroeconomic reforms. This proved to be a useful strategy in some cases, but occasionally macroeconomic disorder, and the weakness of macroeconomic institutions, undermined the operations that were examined. Under the Somalia agriculture SECAL, in order to overcome an overvalued official exchange rate, the government established a (limited) foreign exchange auction for allocating the proceeds of the SECAL. The auction, which was managed by the central bank with guidance provided by the IMF resident representative, worked well for about 12 months. Most of the other components of the SECAL were progressing well. Then, on the advice of the IMF, but without consulting the World Bank, the government expanded the auction to include all foreign exchange operations.

Due in part to weak credit controls in the central bank, foreign exchange reserves deteriorated sharply. The government reacted by cancelling the auction, and without this mechanism for disbursal, the SECAL was suspended.

Similarly, the Sudan agriculture SECALs provided foreign exchange for the Sudanese agricultural export sector. Under both operations the government was expected to develop a plan for ensuring the future availability of foreign exchange for the sector, but was not able to do so. The government was also unable to establish effective debt management. It proved very difficult to resolve these macroeconomic issues in the context of a SECAL.

Macroeconomic problems did not, however, cause institutional reforms to fail in all cases. Thus, in the Zambia trade SECAL the internal management of the Copper Corporation was improved in spite of a difficult macroeconomic context. The narrow scope of the reform, the commitments already made, and the ease of focusing on a single key enterprise may have facilitated the reform implementation.

5. Inter-Ministerial Coordination Problems

The implementation of institutional reforms was delayed in several cases by internal coordination problems when multiple ministries were involved in SECALs. This was a special problem in trade SECALs whose design envisaged multi-agency cooperation. Virtually all trade SECALs called for inter-ministerial coordination and about half of agriculture

SECALs required such coordination. Among the latter, the Kenya SECAL which involved six different ministries did face serious problems of coordination similar to those of the trade SECALs. The Morocco agriculture SECAL which was successful in many respects, also suffered from the problem of interministerial coordination.

A striking aspect of trade SECALs was the difficulty in defining who exactly the client was. Many departments and ministries of the government were involved in the reforms and it was often not quite clear as to which agency would be the focal point for carrying out the reforms. The administration of the more traditional sectors in these countries (agriculture, industry) was organized in the conventional manner of sectoral bureaucracies. Donors were also used to working with sectorally organized ministries. On the other hand, the trade function in many countries had gained particular attention only recently because of the need to correct the balance of payments situation. Unlike agriculture or industry, trade related functions were usually functionally organized under the Finance, Industry or Commerce Ministries. Trade also involved and affected quite a few other agencies of government. Because of all of these factors, it was difficult to pin down just who and which agency would take on the full responsibility for the many developmental activities of the SECAL.

The difficulty of not dealing with a well defined client was evident in the case of the Colombia trade SECAL. The sectoral objective of the loan was to support the first phase of the government's trade policy

adjustment program. Supervision missions had to deal with several arms of the government during their visits. As a project officer observed:

"There was no interlocutor for the Bank team during our visits. It so happened that there was an interested chief of a trade-related agency which was important for the implementation of some of the reforms. But she was transferred and the next one was not so interested in sustaining the changes. We moved from ministers to heads of agencies to others. The Bank had no one person or agency to link up with for this project."

In Costa Rica, the Ministry of Finance, Ministry of Export and Investment, Ministry of Economy and Commerce, and the Central Bank were the principal agencies involved in trade. In addition, a semi-autonomous agency called CENPRO was directly involved in export promotion policies. The revolving fund that was to be set up through the SECAL was located, to begin with, in the Central Bank. The Ministry of Export and Investment and CENPRO were to coordinate studies. In spite of the plethora of agencies in Costa Rica, a project official observed that "a central coordinating point for trade was still lacking." Towards the end of the SECAL, there was talk of a managing committee in the office of presidency to work on trade matters, pushing the coordination to a higher level.

In the agricultural sector, the Brazil SECAL was different from most SECALs in that it did not deal with the country's agricultural institutions per se, but rather with its financial and trade policies and institutions. Moreover, according to a project officer, the Ministry of Agriculture was strictly a technical agency and had no policy capacity or responsibility, particularly in the matters covered by this SECAL. In

fact, it was not clear as to who should be the Bank's primary interlocutor for the project. This is in part a problem of the project design not having been adapted well to the institutional reality of the country. In addition, there were two changes of government since the project was initiated. Originally, Bank staff dealt with the Ministry of Plan, which was subsequently subsumed under the Ministry of Finance. Though it was recently reestablished, it still has severe staff inadequacies. In the meantime, the Bank continues to deal with the Special Office of Economic Affairs of the Ministry of Finance.

6. Inadequate Attention to Implementation Processes

The implementation difficulties faced by institutional reforms were in some cases due to a lack of attention to the processes for getting things done. In part, this is a problem of design which tends to specify the "end states" to be achieved, but ignores the requirements of the "transition" or the steps needed to get from the starting point to the end. It also sheds light on the limits of the supervision process. Often organizational structure or the creation of a new agency receives much attention, but the processes required to make them perform are neglected. A case in point is the Sierra Leone agriculture SECAL which involved the reorganization of agricultural institutions, including a change in the relationship between provincial agencies and the central ministry. In order to decentralize decision making in the context of a unified national organization, a chief regional officer (CRO) would be appointed in each of the country's six regions. The CRO and his division chiefs were to become

a management team at the regional level. This arrangement was to replace the previously centralized management under which all division chiefs reported directly to technical authorities in the ministry. The design documents dealt with the necessary changes in processes that this structural change implied: for example, regular communications and meetings of the regional management teams were specified. However, in practice, only the structure of the organization was changed; decision-making processes and the entrenched bureaucratic culture remained largely unaltered. Such changes obviously require a great deal more effort and commitment on the part of the government, and more specialized supervision and attention on the part of the Bank than have been available. Process changes also require more time than changes in organizational structure. The project as originally designed was too ambitious, and was redesigned in May 1987. Unfortunately, disbursements have been suspended due to the government's failure to pay the Bank's service charges, so it is not possible to determine whether the redesigned project will be successful.

The experience of the Nigerian trade SECAL reinforces this lesson. The SECAL required the establishment of a monitoring unit. The Unit was set up in the Division of External Finance, Ministry of Finance. A competent chief was appointed, but as in the case of Pakistan's Industrial Incentives Reform, recruitment of staff was less satisfactory. The Unit was successful in putting together a useful monthly report. The next phase of development would have had to ensure improvements in the quality and thoroughness of data collected. It would also have to ensure that users of information supplied by the Monitoring Unit make good use of the data and

insist on better quality. In other words, each sequence of an effort to develop an institutional mechanism for capacity building appeared to need special attention to the organizational processes involved.

V. Conclusion

This paper has reviewed the institutional reforms in 55 of the 65 SECALs approved by the Bank during fiscal 1983-87. They include SECALs in agriculture, trade, and industry, but exclude those pertaining to education and public enterprises. The focus of the review was on the analysis of the institutional issues addressed and the institutional reforms adopted by SECALs, and their experience with respect to the implementation of reforms.

Three important categories of institutional issues were discussed in the SECALs under review. First, organizational and managerial deficiencies of sector institutions were considered a major constraint. Second, a variety of regulatory and procedural constraints had to be eliminated in order to enable governments to implement the SECAL policy reforms. Third, the policy analytic and planning capability within sector ministries and other public agencies seemed to be too weak to sustain the policy reform process initiated by the SECALs.

The institutional reforms designed to deal with these issues in the SECALs were threefold: (1) Organizational restructuring and strengthening measures. Restructuring covered a wide spectrum of reforms

which includes the divestiture of public agencies or functions and the reorganization of existing activities. Organizational strengthening consisted of the improvements achieved through leadership changes, induction of competent personnel, new systems and practices and training.

(2) Regulatory and procedural reforms. The rationalization of the sector's regulations and procedures was a necessary reinforcement to the SECALs' policy reforms. In some instances, changes in existing laws were required to facilitate the implementation of new policies. In general, the focus here was on deregulation and procedural improvements and not on the reorganization of regulatory institutions. (3) Sector policy and planning capacity building. The capacity sought to be developed through this type of reform was: (a) skills to develop sector strategies and to monitor sector performance; and (b) specialized skills for the analysis of investments, prices, trade, etc. In some cases, special units were proposed to be established in sector ministries or other agencies as focal points for policy analysis and personnel training.

Every SECAL reviewed had institutional components which reflected a blend of these reforms. Most institutional reforms were closely linked to or derived from the SECAL policy reforms. This was particularly true for regulatory and procedural reforms which flowed from the need to implement specific policy reforms. The linkage between policy and institutional reforms was less direct when the latter were meant to facilitate or strengthen supply response in the sector concerned. A third type of institutional reforms (e.g., policy analytic capacity building) did not have any direct links to current SECAL policy reforms as they were designed to strengthen the sector over the long haul.

Of all the institutional reform components, organizational restructuring and strengthening was the most frequent category, followed by policy analytic capacity building and regulatory and procedural reforms. The scope of these institutional reforms varied somewhat between sectors and regions. Trade SECALs, which had a larger share of macroeconomic content in its policy reforms than other types of SECALs, had institutional reforms which affected different sectors. SECALs for agriculture and industry, by contrast, had fewer multi-sectoral institutional reforms. The institutional reforms in agriculture SECALs were designed to improve the sector ministry as well as field agencies; but both were within the purview of the agriculture sector except in a few cases. In some cases, the sector institutions were fragmented and intra-sectoral coordination difficult and, in many, coordination between the sector ministries and the core financial and economic authorities was essential for the success of the SECAL. In terms of regions, agriculture and industry SECALs in Africa had more limited scope than those in Asia and EMENA. The LAC SECALs fell in between. Many of the African agriculture SECALs, for example, dealt with one subsector of agriculture at a time while the Asian and EMENA SECALs spanned the entire sector. This reflects a useful attempt on the part of the Bank staff to match the complexity and scope of reform to the institutional capacity of the countries concerned.

Significant differences between SECALs were observed when they are classified by their degree of institutional intensity. A majority of the low intensity SECALs were found to be the first policy-based sector loans in the countries concerned, whereas a majority of the high intensity SECALs

were either repeat loans or were preceded by other SECALs or SALs. Furthermore, the diagnosis of institutional issues in the high intensity SECALs was generally more thorough and systematic than the diagnosis underlying the low intensity SECALs.

As expected, PCRs confirm that institutional issues were frequently a barrier to the successful implementation of SECALs. In some cases, hostile political and bureaucratic interests adversely affected reform implementation. Not surprisingly, borrower's lack of capacity to implement the agreed upon reforms also emerged as a problem in a few SECALs.

Adequate evidence does not exist to assess the impact or outcome of the SECAL institutional reforms. An initial review of their implementation experience, however, shows that while the conditionalities were met in most cases, several problems were encountered in the course of supervision. In general, institutional constraints were frequently a barrier to effective SECAL implementation. Low intensity SECALs, however, made more progress in implementation than high intensity SECALs which shows that, in spite of a more careful diagnosis, some of them were too ambitious. It was found that the relatively simpler institutional reforms were implemented while the more complex and politically sensitive reforms faced severe problems. Thus the strengthening of existing organizations or improving specific organizational functions were easier to accomplish than the reorganization or divestiture of public agencies which threatened important political, labor or bureaucratic interests. In some cases, the

persistent macroeconomic disorder and the weaknesses of macro-policy institutions adversely affected SECAL implementation. Inadequate institutional diagnosis and consequent design weaknesses also seem to have contributed to implementation problems. Often organizational structure and staff competence in limited technical areas proved easy to improve, but changes in organizational processes and bureaucratic culture were difficult to design and implement.

Technical assistance (TA) was provided for in most of the SECALs. Their nature and scope, however, were not examined in this review as the full evidence on TA was not readily available. This subject deserves careful study as TA is an important aid to the implementation of institutional reforms.

Implications for Bank Policy

1) The importance of a careful diagnosis of the sectoral institutional framework cannot be overemphasized. The problem is less severe in sectors like agriculture where past project and sector work has led to a better understanding of sector institutions.¹⁰ A mapping of the

^{10/} This does not imply that those who diagnose institutional problems well necessarily design better or more appropriate reforms. The ability to generate imaginative options for reform and to choose those which fit the context best is independent of diagnostic skills.

relevant institutions concerned with sector policy, sector-wide management, sector-wide support services and field operations should be a starting point in all SECALs, even in those which do not plan to undertake major institutional reforms. To the extent they are followed by other SECALs with higher intensity, an early start in the initial SECALs provides a longer lead time to understand the key issues and to develop a consensus within the government on the diagnosis and on the needed reforms. The set of institutions to be analyzed will clearly vary with the thrust of the SECAL objectives and reforms. Attention to institutional diagnosis and design assumes special importance in SECALs in view of their quick disbursing nature and the limited time available for redesign. Where a series of SECALs are planned, there is clearly greater flexibility for redesign.

2) Much of the institutional diagnosis done for SECALs focuses on an assessment of the capacity of sector institutions in their substantive (technical) areas of work. An assessment of the interest groups affected by the reforms and the risks they pose for implementation is conspicuous by its absence. Inputs from middle level bureaucrats on the appropriateness and feasibility of reform are certainly useful. But an assessment of the capacity of top level leaders to mobilize support for reform and resist opposing forces is also important. A proper diagnosis must be a mix of both and grounded in a solid understanding of local problems. A joint diagnostic exercise is more likely to yield a good mix of technical, organizational and political analysis, and to provide a better basis for assessing "implementation feasibility."

As noted above, identification of the relevant institutions and institutional issues is a precondition for institutional diagnosis. Policy reforms will be a useful point of departure in this regard. There are some institutional reforms which directly follow from policy reform (e.g., regulatory and procedural reforms). They will point to certain public agencies whose systems and practices may need to be assessed and modified. Some policy reforms will call for institutional reinforcement on the supply response side. In this case, the focus will be on institutions which are critical to supply response (e.g., extension agencies in agriculture or credit institutions). When policy reforms entail the divestiture of public enterprises or other public services, the diagnosis should focus on the government's capacity to get this task done and on the strengths and weaknesses of the private sector in responding to the reform. Thus the nature and scope of policy reforms will provide useful directions for institutional diagnosis.

When institutional issues and constraints are self evident or can easily be delineated, it will be in order to analyze them in a standard, technical fashion (e.g., through the use of interviews, analysis of documents, statistics, etc.). When, however, there is much ambiguity about the issues involved and reasonable people differ as to their causes, it is important to adopt a "process approach" to institutional diagnosis. There is a case here for generating the diagnosis by bringing together the different actors or stakeholders whose perceptions of the problems will be critical to a balanced assessment of the basic institutional issues involved. Since the implementation of the reforms likely to be proposed

will require their support, it is equally important that the diagnostic process also acts as a consensus building exercise or at least contributes to an appreciation among the key participants of differing perceptions of the problems. Workshops, taskforces, etc. are useful instruments to achieve this goal.

It is equally important that institutional diagnosis is carried out as a joint exercise with the country concerned. The contextual roots and nuances of institutional issues cannot be over-emphasized and their diagnosis will seldom be easy for outsiders (especially short-term visitors) except in fairly simple cases. Joint diagnosis is important also for creating a sense of ownership of and commitment within the country to the ensuing results. Local expertise should be actively sought in the diagnostic process and wherever possible, external advisors should play a facilitative rather than lead role in it.

Institutional diagnosis is never complete without an assessment, implicit or explicit, of the capacity and will of the relevant leaders to support reforms. The starting point here has to be the identification of the leaders who are likely to be critical to the reform process. Second, they need to be appraised of the proposed institutional tasks and their full implications. Third, it is necessary to ascertain (formally or informally) the extent to which they are ready to allocate the required resources (financial and human) for the proposed reforms. This is the only way to determine the priority they are likely to accord to the reforms. Fourth, their responses need to be informally cross-checked with other stakeholders including bureaucrats for their realism. These are essential

steps in the diagnostic process even when an open and extended official discussion of the issues involved is ruled out for political reasons.

3) When complex institutional reforms are proposed, there is merit in sequencing them so as to improve the chances of implementation success. This will reduce the scope of the reforms, problems of coordination, and the intensity of threats from affected interest groups. For example, restructuring of organizations in several subsectors simultaneously could become unmanageable for the reasons given above. But in a difficult context, if one subsector at a time is taken, implementation will tend to be easier and the learning could be used to better plan the restructuring of other subsectors. The choice of the initial subsector should be governed by criteria such as the urgency of its problems and government's commitment and willingness to allocate resources to deal with them.

4) If, however, a simultaneous attack on multiple institutional fronts is considered necessary, a strategic approach to the reform implementation must be planned. This means getting the full support of the top leaders who alone can influence or control the relevant actors, and planning for team building and "organizational development" to ensure effective implementation. Greater attention should be given to the organizational processes at work during supervision so as to detect problems early and to ensure continued support to the reform at all levels. Ideally, what is required is to create opportunities for the relevant teams to get together with resource persons, if necessary, to sort out problems

periodically and to reinforce the team building process. Supervision missions can support this effort by organizing small group meetings or workshops to review the progress and problems on the institutional front. This will facilitate the early identification of problem areas and speed up remedial action. Setting up a monitoring unit or an implementation authority in a ministry is no substitute for the strategic interventions proposed above.

5) The design of most institutional reform components is admittedly more difficult than that of economic policy reforms though getting a consensus on the latter is not always easy. This is because in some SECAL contexts, reforms cannot always be precisely specified too early in the project cycle and the sequence of steps involved cannot be predicted with certainty. The design process thus assumes special importance. The manner in which design ideas are generated, the commitment of the national counterparts to the agreed upon design and an assessment of their capacity to monitor and adapt design components over time are critical elements of this process. Staff who are unfamiliar with these process issues are likely to focus more on the creation of formal structures, studies, technical assistance and budget allocations as the key elements of the design. An obvious answer to this problem is to draw upon expert and experienced personnel (local or foreign) to deal with these issues during the preparation phase. Since this may be infeasible in some contexts, another alternative is to sensitize staff on these issues, using, for example, well documented case studies of good designs and the processes (formal and informal) used during preparation. Much work remains to be done in this area.

In some SECALs, it may be relatively easy to specify the "end state" of an institutional reform with a fair degree of precision. More attention to detailed design and phasing will help in such cases. Sequencing and breaking reforms into component steps also helps to reveal processes which remain neglected when only the end-product is defined. Awareness of the complexity of the reform contributes to greater realism in specifying the expected end products. If each reform is broken down into component steps or stages, the borrower has a clearer idea of what is expected. If the expectations are not met, it is easier for the Bank to determine the extent of the borrower's progress. More detailed institutional reform design will also permit greater specificity in conditionality.

6) From a long-term perspective, policy analytic capacity within borrower countries is a prerequisite for sustaining sector adjustment and growth. But building this capacity deserves more careful attention than is currently being given in SECALs. While it is understandable that reforms with an immediate impact receive the highest priority in a crisis, the conventional approach to policy capacity building even with repeater loans needs to be challenged. Policy-related capacity building is a small component in most SECALs, but requires more staff intensive supervision and support than can be provided through SECALs which deal with a wide array of reforms, and a longer-term perspective than is typical of adjustment operations in general. In order to augment local policy analytic capacity, innovative interventions including, for example, new forms of technical assistance need to be explored outside the adjustment framework.

Admittedly, there is a case for supporting some specialized training of personnel (both short-term and long-term) through the medium of SECALS. Those who design SECALS, however, should recognize that this is a necessary, but often minor part of capacity building. Some of the more important options which deserve attention are the following:

- a) The leverage provided by adjustment operations could be used to diagnose the problem of policy analytic capacity building and to agree with the government on the strategy and priorities for capacity building. Should the strengthening of ministry level capacity receive priority over the creation of capacity outside of government? How is the demand for policy analysis to be created and sustained? Who should receive training and in what fields? How can policymakers be made more receptive to policy advice? Should local taskforces be used to generate diagnosis and an action plan? A good diagnosis of the problem and consensus on the strategy are likely to have a longer-term impact on capacity building than some other measures which may lead to concrete actions but without the benefit of a supportive framework.
- b) When concrete plans are formulated for capacity building, the question arises whether the Bank should assist the government in their implementation or identify and interest other donors to play this role in view of their greater expertise and experience in such work. In some cases, arranging co-financing for the work may also be important.

- c) If some local institutions, including ministries, require twinning support in the initial phase, other donors or foreign institutions must be identified for purposes of collaboration. Though SECALS themselves have a relatively short-time horizon, it is possible that support to such efforts could be continued through other Bank projects. In brief, the leverage of SECALS can be used in different ways to initiate the process of capacity building and to generate contextually relevant ideas to sustain the process.

BASIC DATA ON SECTOR ADJUSTMENT OPERATIONS

<u>Country/Ln/Cr No</u>	<u>Board Approval Date</u>	<u>Ln/Cr Amount (US\$ millions)</u>	<u>Actual or Expected Duration</u>	<u>Operation Closed (as of 6/88)</u>
<u>AGRICULTURE</u>				
<u>Africa</u>				
1. Burkina 1350	2/85	9.2	6.0 yrs	
2. Central Africa Republic 1836	7/87	22.0	2.0 yrs	
3. Kenya 1717	6/86	60.0	2.0 yrs	X
4. Madagascar 1691	5/86	60.0	3.0 yrs	
5. Malawi 1352	4/83	5.0	5.0 yrs	X
6. Nigeria 2345	9/83	250.0	3.0 yrs	X
7. Sierra Leone 1501	6/84	21.5	4.0 yrs	1/
8. Somalia 1711	6/86	70.0	2.5 yrs	
9. Sudan I 1000	3/80	65.0	3.0 yrs	X
10. Sudan II 1389	9/83	50.0	3.0 yrs	X
11. Sudan III 1866	12/87	85.0	2.5 yrs	
12. Uganda 1328	2/83	70.0	6.0 yrs	X
13. Zambia 1545	1/85	25.0	3.5 yrs	X
<u>Asia/Ecena</u>				
14. Philippines 2469	9/84	150.0	2.0 yrs	X
15. Morocco I 2390	6/85	100.0	2.5 yrs	X
16. Morocco II 2885	11/87	225.0	2.0 yrs	
17. Tunisia 2754	9/86	150.0	1.5 yrs	X
18. Turkey 2585	6/85	300.0	3.0 yrs	1/
<u>LAC</u>				
19. Argentina 2675	4/86	350.0	2.0 yrs	1/
20. Brasil 2348	10/83	303.0	3.5 yrs	X
21. Brasil 2727	6/86	500.0	3.0 yrs	
22. Ecuador 2626	10/85	100.0	3.5 yrs	
23. Uruguay 2468	8/84	60.0	2.0 yrs	X

1/ Closing date was 6/88; extension may be granted.

<u>Country/Ln/Cr No</u>	<u>Board Approval Date</u>	<u>Ln/Cr Amount (US\$ millions)</u>	<u>Actual or Expected Duration</u>	<u>Operation Closed (as of 6/88)</u>
<u>INDUSTRY</u>				
<u>Africa</u>				
1. Ghana 1672	3/86	53.5	4.75 yrs	
2. Madagascar 1541	1/85	60.0	3.75 yrs	
3. Madagascar 1834	6/87	96.8	2.5 yrs	
4. Mauritius 2791	4/87	25.0	2.0 yrs	
5. Zaire 1708	6/86	80.0	2.0 yrs	X
6. Zambia 1630	10/85	62.0	3.0 yrs	
<u>Asia/Europe</u>				
7. Bangladesh 1816	6/87	190.0	2.5 yrs	
8. Hungary 2700	5/86	100.0	6.0 yrs	
9. Korea 2571	6/85	222.0	5.25 yrs	
10. Morocco 2377	1/84	150.4	1.5 yrs	X
11. Morocco 2604	7/85	200.0	2.0 yrs	X
12. Tunisia 2781	2/87	150.0	2.0 yrs	

<u>Country/Ln/Cr No</u>	<u>Board Approval Date</u>	<u>Ln/Cr Amount (US\$ millions)</u>	<u>Actual or Expected Duration</u>	<u>Operation Closed (as of 6/88)</u>
<u>TRADE</u>				
<u>Africa</u>				
1. Ghana 1393	6/83	40.0	2.75 yrs	X
2. Ghana 1435	1/84	40.1	3.0 yrs	
3. Ghana 1573	9/85	102.9	3.25 yrs	
4. Guinea Bissau 1331	12/84	15.0	4.0 yrs	
5. Nigeria 2758	10/86	452.0	5.75 yrs	
6. Zambia 2391	3/84	75.0	4.5 yrs	
7. Zimbabwe 2239	2/83	70.6	4.5 yrs	X
<u>Asia/Europe</u>				
8. Indonesia 2780	2/87	300.0	1.0 yr	X
9. Pakistan 2701	5/86	70.0	2.5 yrs	
<u>LAC</u>				
10. Argentina 2815	5/87	500.0	1.0 yr	X
11. Bolivia 1703	5/86	55.0	3.0 yrs	
12. Bolivia 1828	6/87	47.1	3.0 yrs	
13. Brasil 2347	9/83	352.0	4.25 yrs	X
14. Colombia 2351	5/85	300.0	3.0 yrs	X
15. Colombia 2677	4/86	250.0	2.75 yrs	
16. Costa Rica 2274	5/83	25.2	2.5 yrs	X
17. Jamaica 2320	6/83	30.1	3.5 yrs	X
18. Jamaica 2848	6/87	40.0	1.5 yrs	
19. Mexico 2331	6/83	350.0	6.0 yrs	
20. Mexico 2745	7/86	500.0	2.25 yrs	

Sequence of SALs and Secals: Percentage of Secals in each Sector that were first policy-based operation, percentage preceded by SAL, Secal or ERP, percent followed by SAL, Secal or ERP. ^{1/}

Sequence Sector	First Policy-based Operation	Preceded by SAL(s)	Preceded by Secal(s) or ERP(s)	Followed by Secal(s)	Followed by ERP(s)	Followed by SAL(s)
Agriculture (12 secals)	35	22	43	39	9	13
Trade (20 secals)	35	25	50	45	5	30
Industry (12 secals)	25	42	33	42	-	42

^{1/} Operations approved by Board as of 6/88.

INSTITUTIONAL REFORM COMPONENTS IN SECALS

Country/Ln/Cr No	Strengthening Policy and Planning Capacity			Organisational Strengthening and Restructuring			
	Sector/ Subsector Strategy	Budgeting & Pub. Investmt. Programming	Other Skills	Strength- ening	Reorgani- zation	Divest./ W/drawal	Creation of New Entities
AGRICULTURE							
Africa							
1. Burkina 1530			X	X			X
2. Central Africa Republic 1836		X	X		X	X	
3. Kenya 1717		X	X	X	X	X	
4. Madagascar 1691		X				X	
5. Malawi 1352			X	X			
6. Nigeria 2345			X				X
7. Sierra Leone 1501	X		X		X	X	X
8. Somalia 1711		X	X	X	X		
9. Sudan I 1000		X	X	X			
10. Sudan II 1389			X	X	X		
11. Sudan III 1866	X	X	X	X		X	
12. Uganda 1328			X	X		X	X
13. Zambia 1545				X			X
Asia/EMENA							
14. Philippines 2469	X	X		X	X	X	
15. Morocco I 2590	X	X	X	X	X	X	X
16. Morocco II 2885	X	X	X	X	X	X	
17. Tunisia 2754	X	X	X	X	X	X	X
18. Turkey 2585		X	X	X	X		X
LAC							
19. Argentina 2675	X			X	X		
20. Brazil 2348	X	X	X				X
21. Brazil 2727				X			X
22. Ecuador 2626		X	X	X	X	X	X
23. Uruguay 2468					X		

INSTITUTIONAL REFORM COMPONENTS IN SEGALs

Country/Ln/Cr No	Regulatory and Procedural Reforms			
	Deregulation/ Reform/Strengthening of Markets	Export Procedures	Import Procedures Allocation of Foreign Exchange	Price/Subsidy/ Tariff/Tax Procedures
<u>AGRICULTURE</u>				
<u>Africa</u>				
1. Burkina 1550				
2. Central Africa Republic 1836				X
3. Kenya 1717	X		X	X
4. Madagascar 1691	X	X	X	X
5. Malawi 1352				
6. Nigeria 2345	X			
7. Sierra Leone 1501				
8. Somalia 1711	X		X	
9. Sudan I 1000				X
10. Sudan II 1389	X		X	
11. Sudan III 1866				
12. Uganda 1328				
13. Zambia 1545	X			
<u>Asia/EMENA</u>				
14. Philippines 2469	X			
15. Morocco I 2590	X			
16. Morocco II 2885	X			
17. Tunisia 2754	X			
18. Turkey 2585	X			
<u>LAC</u>				
19. Argentina 2675				X
20. Brazil 2348	X			
21. Brazil 2727	X	X	X	X
22. Ecuador 2626				
23. Uruguay 2468	X	X	X	

INSTITUTIONAL REFORM COMPONENTS IN SECALS

Country/In/Cr. No	Strengthening Policy and Planning Capacity			Organisational Strengthening and Restructuring			
	Sector/ Subsector Strategy	Budgeting & Pub. Investmt. Programming	Other Skills	Strength- ening	Reorgani- sation	Divest./ W/drawal	Creation of New Entities
INDUSTRY							
Africa							
1. Ghana 1672		X		X	X	X	
2. Madagascar 1541	X	X					
3. Madagascar 1834	X	X		X	X	X	
4. Mauritius 2791							
5. Zaire 1708				X	X		
6. Zambia 1630		X	X		X	X	
Asia/EMEA							
7. Bangladesh 1816			X	X			
8. Hungary 2700	X		X	X			
9. Korea 2571	X			X	X		
10. Morocco 2377							
11. Morocco 2604		X	X		X	X	
12. Tunisia 2781				X	X		

INSTITUTIONAL REFORM COMPONENTS IN SECTORS

Regulatory and Procedural Reforms	Deregulation/ Export Procedures	Import Procedures	Price/Subsidy/ Tariff/Tax	Allocation of Foreign Exchange	Opening of Markets
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Country/ID/ST No

INDUSTRY

Africa

1. Ghana 1972

2. Madagascar 1941

3. Madagascar 1834

4. Mauritius 2791

5. Senegal 1708

6. Zambia 1630

Asia/PACIFIC

7. Bangladesh 1816

8. Hungary 2700

9. Korea 2571

10. Morocco 2377

11. Morocco 2604

12. Tunisia 2781

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

INSTITUTIONAL REFORM COMPONENTS IN SECALS

Country/Ln/Cr. No.	Strengthening Policy and Planning Capacity			Organisational Strengthening and Restructuring			
	Sector/ Subsector Strategy	Budgeting & Pub. Investmt. Programming	Other Skills	Strength- ening	Reorgani- zation	Divest./ W/drawal	Creation of New Entities
TRADE							
<u>Africa</u>							
1. Ghana 1393			X				
2. Ghana 1435	X			X	X		X
3. Ghana 1573	X		X		X		
4. Guinea Bissau 1531							
5. Nigeria 2758	X		X				X
6. Zambia 2391	X				X	X	
7. Zimbabwe 2239						X	
<u>Asia/EMENA</u>							
8. Indonesia 2780					X		
9. Pakistan 2701	X			X			X
<u>LAC</u>							
10. Argentina 2815							
11. Bolivia 1703					X	X	
12. Bolivia 1828				X	X		X
13. Brasil 2347	X						
14. Colombia 2551	X						
15. Colombia 2677	X		X	X	X		X
16. Costa Rica 2274							X
17. Jamaica 2320					X		X
18. Jamaica 2848				X			X
19. Mexico 2331	X			X	X		
20. Mexico 2745	X						

INSTITUTIONAL REFORM COMPONENTS IN SECTORS

Country/Lo/Gr No	Regulation/Import Procedures	Import Procedures	Foreign Exchange	Facilities/Tax	Procedures
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TRADE

Africa

1. Ghana 1393

2. Ghana 1435

3. Ghana 1573

4. Guinea Bissau 1531

5. Nigeria 2758

6. Zambia 2391

7. Zimbabwe 2239

Asia/Pacific

8. Indonesia 2780

9. Pakistan 2701

LAC

10. Argentina 2815

11. Bolivia 1703

12. Bolivia 1828

13. Brazil 2347

14. Colombia 2551

15. Colombia 2677

16. Costa Rica 2274

17. Jamaica 2320

18. Jamaica 2848

19. Mexico 2331

20. Mexico 2745

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